

# **City of Lowell**

Lowell, Michigan

## **Financial Statements**

For the Year Ended June 30, 2005

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input checked="" type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>City of Lowell</b>	County <b>Kent</b>
Audit Date <b>6/30/05</b>	Opinion Date <b>12/30/05</b>	Date Accountant Report Submitted to State: <b>2/6/06</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

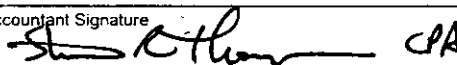
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input checked="" type="checkbox"/>		
Reports on individual federal financial assistance programs (program audits).			<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).			<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name) <b>Biggs, Hausserman, Thompson &amp; Dickinson PC</b>			
Street Address <b>356 E. Main</b>	City <b>Saranac</b>	State <b>MI</b>	ZIP <b>48881</b>
Accountant Signature 		Date <b>2/6/06</b>	

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### **Independent Auditor's Report**

Honorable Mayor and  
Members of the City Council  
City of Lowell, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Lowell, Michigan, as of and for the year ended June 30, 2005 which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Lowell, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Lowell, Michigan as of June 30, 2005, and respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United State of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2005 on our consideration of the City of Lowell's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 3-14 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Lowell's basic financial statements. The combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the City of Lowell's basic financial statements. The combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly presented, in all material respects, in relation to the basic financial statements taken as a whole.

*Biggs, Hausserman, Thompson + Dickinson*

Biggs, Hausserman, Thompson & Dickinson, P.C.  
Certified Public Accountants  
December 30, 2005

## **Management's Discussion and Analysis**

## Management Discussion and Analysis

As management of the City of Lowell, we offer readers of the City of Lowell financial statements this narrative overview and analysis of the financial activities of the City of Lowell for the fiscal year ended June 30, 2005. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the financial statements and notes to the financial statements.

### Financial Highlights

2005 was a year of significant activity at the City including:

- Lease purchase of two police cruisers and a copier for the Police Department
- Crush asphaltting of the airport entrance road and crack sealing of the main runway
- Purchase of a new fire pumper
- Reconstruction of portions of Foreman Street
- Repainting of the Water Treatment Plant Clarifier
- Construction and reconstruction of Center and Clarke Streets in cooperation with a developer
- With a State grant, acquisition of a new voting system
- A new ten year agreement with Earth Tech to operate the Wastewater Treatment Plant

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Lowell financial statements. The City of Lowell basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Lowell finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the city of Lowell assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).



Both of the government-wide financial statements distinguish functions of the City of Lowell that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Lowell include public safety, highways, public works, and general government services. The business-type activities of the City of Lowell include wastewater, water, airport, cable T.V. and light and power services.

The government-wide financial statements include not only the City of Lowell itself (known as the *primary government*), but also legally separate – (the building authority – component unit) – for which the City of Lowell is financially accountable. Financial information for this *component unit* is blended with the City as both a capital projects and a debt service fund. This report also includes information for Downtown Development Authority also legally separate (component unit) – for which the City of Lowell is financially accountable. Financial information for this *component unit* is discretely presented.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Lowell, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Lowell can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the Governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Lowell maintains 7 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General fund and Capital Projects fund, each of which are considered to be major funds. Data from the other 5 governmental funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City of Lowell adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

**Proprietary funds.** The City of Lowell maintains 7 different proprietary funds. Five *enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City also has two internal services funds to account for those services provided internally on a cost reimbursement basis. The internal services funds are included in the governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the wastewater, water, airport, cable T.V. and light and power funds, all of which are considered to be major funds of the City of Lowell.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City of Lowell's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. This is limited to this management discuss and analysis.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information.

## Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Lowell, assets exceeded liabilities by \$13,400,764 at the close of the most recent fiscal year.

By far the largest portion of the City of Lowell net assets reflects its investment in capital assets (e.g., land, buildings, vehicles, equipment and infrastructure); less any related debt used to acquire those assets that is still outstanding. The City of Lowell uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Lowell investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

### City of Lowell Net Assets

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Current and other assets	\$ 720,486	\$ 900,520	\$ 6,376,354	\$ 6,343,716	\$ 7,096,840	\$ 7,244,236
Capital assets	6,619,768	6,316,311	14,731,553	14,951,632	21,351,321	21,267,943
Total assets	<u>7,340,254</u>	<u>7,216,831</u>	<u>21,107,907</u>	<u>21,295,348</u>	<u>28,448,161</u>	<u>28,512,179</u>
Long-term liabilities outstanding	5,475,735	5,585,389	8,008,653	8,397,966	13,484,388	13,983,355
Other liabilities	428,289	311,700	1,134,720	1,042,330	1,563,009	1,354,030
Total liabilities	<u>5,904,024</u>	<u>5,897,089</u>	<u>9,143,373</u>	<u>9,440,296</u>	<u>15,047,397</u>	<u>15,337,385</u>
Net assets:						
Invested in capital assets, net of related debt	1,144,033	730,922	6,722,900	6,553,666	7,866,933	7,284,588
Restricted	366,718	558,836	1,521,336	1,515,447	1,888,054	2,074,283
Unrestricted	(74,521)	29,984	3,720,298	3,785,939	3,645,777	3,815,923
Total net assets	<u>\$ 1,436,230</u>	<u>\$ 1,319,742</u>	<u>\$ 11,964,534</u>	<u>\$ 11,855,052</u>	<u>\$ 13,400,764</u>	<u>\$ 13,174,794</u>

Net assets of governmental activities at year-end have been restricted primarily by funding sources for Major Streets, Local Streets, Historic District Commission, and Cemetery Trust Corpus. Of the net asset balance at year end, 80% is invested in capital assets net of related debt, 26% is restricted for other purposes and (6%) is unrestricted and available for general City operations.

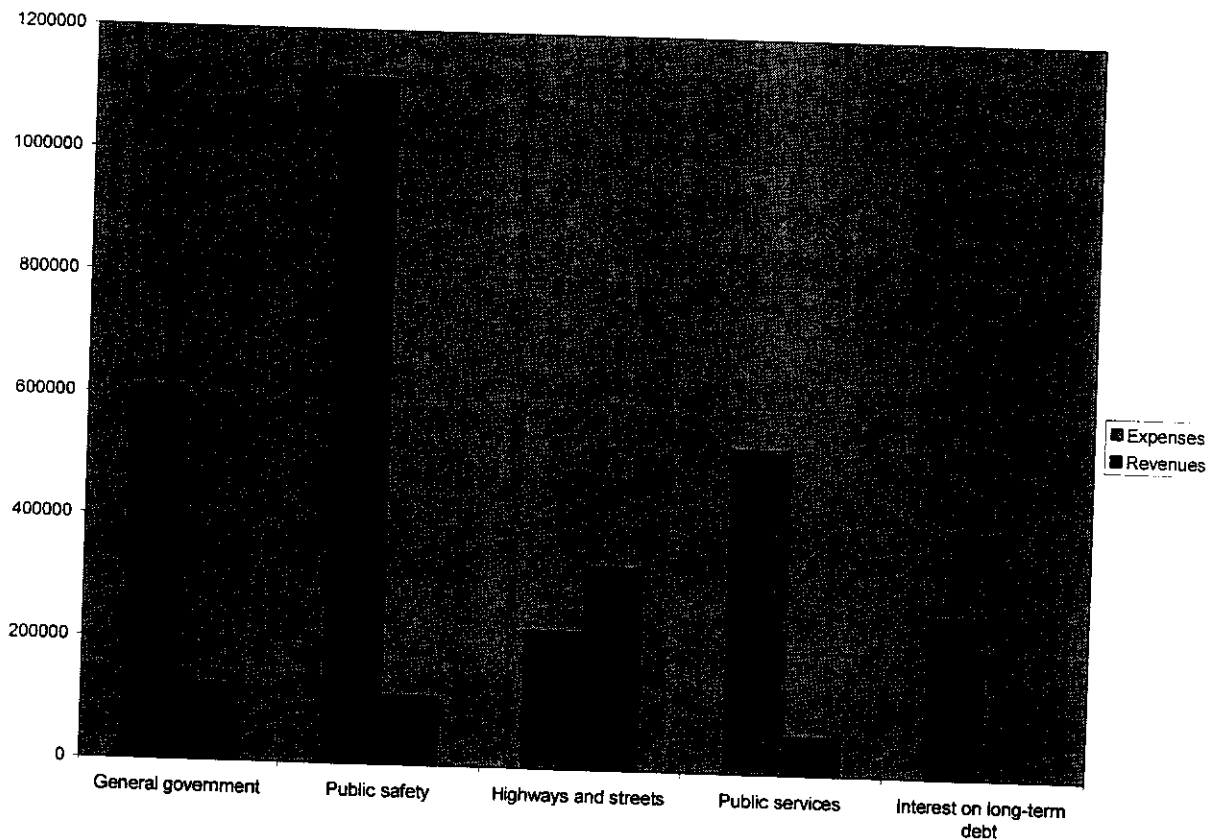
**City of Lowell  
Changes in Net Assets**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
Revenue:	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
Program revenue:						
Charges for services	\$ 200,143	\$ 238,096	\$ 7,998,792	\$ 7,644,863	\$ 8,198,935	\$ 7,882,959
Operating grants and contributions	420,816	382,780	63,993	0	484,809	382,780
General revenue:						
Property taxes	1,550,016	1,466,633	0	0	1,550,016	1,466,633
State shared revenue	409,769	414,285	0	0	409,769	414,285
Other	289,121	171,779	173,222	71,462	462,343	243,241
Total revenue	<u>2,869,865</u>	<u>2,673,573</u>	<u>8,236,007</u>	<u>7,716,325</u>	<u>11,105,872</u>	<u>10,389,898</u>
Governmental activities:						
General government	612,292	640,627	0	0	612,292	640,627
Public safety	1,121,955	1,121,482	0	0	1,121,955	1,121,482
Highways and streets	224,831	266,728	0	0	224,831	266,728
Public services	530,402	704,637	0	0	530,402	704,637
Interest on long-term debt	263,897	268,280	0	0	263,897	268,280
Total expenses - governmental activities	<u>2,753,377</u>	<u>3,001,754</u>	<u>0</u>	<u>0</u>	<u>2,753,377</u>	<u>3,001,754</u>
Business-type activities:						
Airport	0	0	28,965	28,448	28,965	28,448
Light & Power	0	0	5,328,374	5,253,777	5,328,374	5,253,777
Cable T.V.	0	0	1,224,369	1,258,585	1,224,369	1,258,585
Waste Water	0	0	830,522	849,580	830,522	849,580
Water	0	0	714,295	750,719	714,295	750,719
Total expenses- business-type activities	<u>0</u>	<u>0</u>	<u>8,126,525</u>	<u>8,141,109</u>	<u>8,126,525</u>	<u>8,141,109</u>
Changes in net assets	116,488	(328,181)	109,482	(424,784)	225,970	(752,965)
Net assets - beginning of year	<u>1,319,742</u>	<u>1,647,923</u>	<u>11,855,052</u>	<u>12,279,836</u>	<u>13,174,794</u>	<u>13,927,759</u>
Net assets - end of year	<u><b>\$1,436,230</b></u>	<u><b>\$1,319,742</b></u>	<u><b>\$11,964,534</b></u>	<u><b>\$11,855,052</b></u>	<u><b>\$13,400,764</b></u>	<u><b>\$13,174,794</b></u>

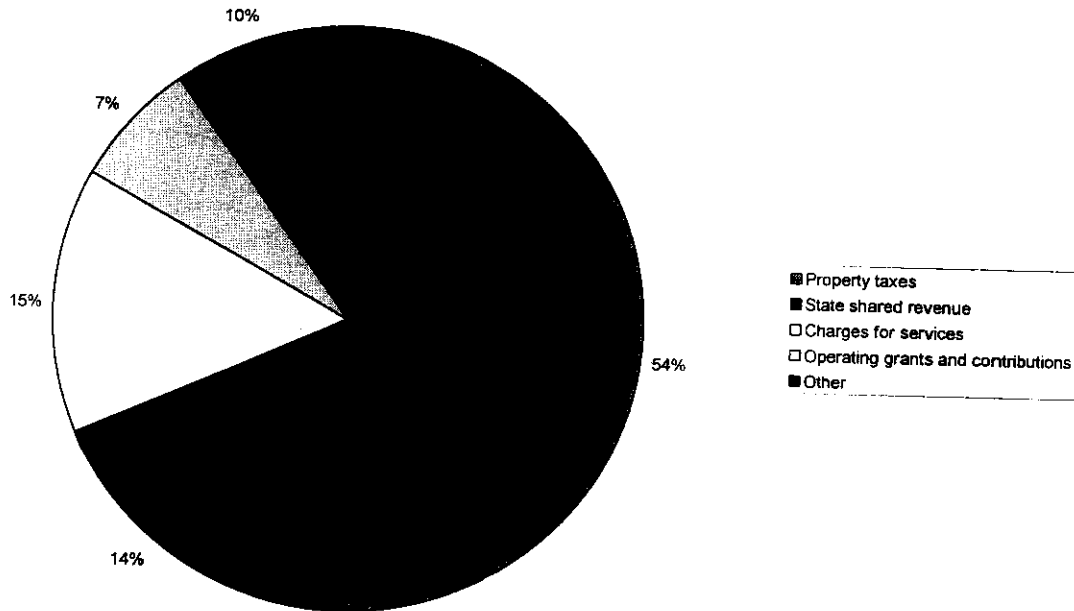
**Governmental activities.** Governmental activities increased the City's net assets by \$116,488, accounting for 52% of the total increase in the net assets of the City. Key elements of this increase are as follows:

- Revenues and other financing sources in excess of general fund expenditures.
- The timing differences between construction of capital assets and depreciation of the assets over their estimated useful lives.

#### Expenses and Program Revenues – Governmental Activities



## Revenues by Source – Governmental Activities



**Business-type activities.** Business-type activities increased the City's net assets by \$109,482, accounting for a 48% of the total increase in the government's net assets for the current year. Key elements of this increase are as follows:

- Gains in both the Water and Light & Power funds. The Water fund decreased operating expenses by \$32,090 while operating revenues increased by \$13,296 compared to 2004. The Light & Power fund had an increase in revenues of \$290,593, while operating expenses increased only \$78,272 compared to 2004.

## Financial Analysis of the Government's Funds

As noted earlier, the City of Lowell uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

*Governmental funds.* The focus of the City of Lowell *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City of Lowell financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As the end of the current fiscal year, the City of Lowell's governmental funds reported combined ending fund balance of \$394,044, a decrease of \$278,346 compared with prior year. This was due to capital expenditures during the year.

The general fund is the chief operating fund of the City of Lowell. At the end of the current fiscal year, unreserved fund balance of the general fund was \$27,326 while total fund balance was \$29,468. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 1.2 percent of total general fund expenditures.

The fund balance of the City of Lowell's general fund decreased by \$86,228 during the current fiscal year.

*Proprietary funds.* The City of Lowell's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the enterprise funds at the end of the year amounted to \$3,720,298. The total increase in net assets for the year was \$109,482. Other factors concerning the finances of these funds have already been addressed in the discussion of the City of Lowell's business-type activities.

## General Fund Budgetary Highlights

- Significant fluctuation between the original and amended for the year included an increase in state share revenues and an increase in transfers from other funds.

## Capital Asset and Debt Administration

**Capital assets.** The City of Lowell's investment in capital assets for its governmental and business type activities as of June 30, 2005, amounts to \$21,351,321 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities, road, highways, and bridges. The total decrease in the City of Lowell's investment in net capital assets for the current fiscal year was \$83,378. The total investment in capital assets was \$1,330,814.

Major capital asset events during the current fiscal year included the following:

- Reconstruction of Foreman Street
- Reconstruction of Clarke and Center Streets
- Purchase of a new fire pumper
- Purchase of a new digger truck for Light & Cable

### City of Lowell Capital Assets (net of depreciation)

	Governmental Activities	Business-type Activities	Total
Land	\$ 568,460	\$ 209,838	\$ 778,298
Construction in progress	0	101,898	101,898
Building, equipment and improvements	6,051,308	14,419,817	20,471,125
Total net assets	<u>\$ 6,619,768</u>	<u>\$ 14,731,553</u>	<u>\$ 21,351,321</u>

Additional information on the City of Lowell capital assets can be found in note 4 on pages 38 and 39 of this report.

## Long-term debt.

### City of Lowell Outstanding Obligations

	Governmental Activities	Business-type Activities	Total
Bonded debt net of discounts	\$ 5,405,000	\$ 7,962,113	\$ 13,367,113
Other obligations	190,043	46,391	236,434
Total net assets	<u>\$ 5,595,043</u>	<u>\$ 8,008,504</u>	<u>\$ 13,603,547</u>

During the year the City financed \$82,671 for equipment purchases and paid approximately \$580,000 of principal off on debt outstanding at July 1, 2004.



The City of Lowell has a BBB+ rating from Standard & Poor's.

State statutes limit the amount of general obligation debt a government entity may issue to 10% of the entity's total State Equalized Value. The current debt outstanding for the City of Lowell is within the statutory limit.

### **Economic Factors and Next Year's Budgets and Rates**

#### **Revenues**

Property Taxes – The General Fund's budgeted property tax, its largest revenue source, is projected to increase 5.0%. The taxable value of existing property, not affected by transfer of ownership or construction of additions, was limited by State Law to the Consumer Price Index.

State Shared Revenue – The General Fund's budgeted state shared revenues are expected to be \$414,285.

#### **Expenditures**

Although the General Fund expenditures are budgeted to decrease 2.2%, additional factors were considered in the preparation of the budget, as follows:

Compensation for City employees were estimated at a 2.5% increase in wages for each employee.

No staffing changes have been included in the budget. There were no reductions in staff or additions.

### **Requests for Information**

This financial report is designed to provide a general overview of the City of Lowell finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Sue Olin, Treasurer, City of Lowell, 301 E. Main Street, Lowell, Michigan 49331.

**CITY OF LOWELL**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2005**

	Primary Government			Component Unit
	Governmental	Business-type	Total	Downtown
	Activities	Activities		Development
				Authority
<b>Assets</b>				
Cash and pooled investments	\$ 431,944	\$ 1,159,348	\$ 1,591,292	\$ 101,704
Investments	0	2,107,806	2,107,806	0
Accounts receivable	19,866	1,032,524	1,052,390	0
Due from other governments	184,763	178	184,941	0
Special assessment receivable	6,007	97,511	103,518	0
Inventory	20,719	51,929	72,648	0
Internal balances	44,335	(44,335)	0	0
Prepaid items and other assets	12,862	40,166	53,028	0
Restricted assets				
Cash and pooled investments	0	1,501,209	1,501,209	0
Investments	0	430,018	430,018	0
Capital assets				
Land	568,460	209,838	778,298	67,876
Buildings, equipment and fixture, net	6,051,308	14,419,817	20,471,125	882,438
Construction in progress	0	101,898	101,898	0
<b>Total assets</b>	<b>7,340,264</b>	<b>21,107,907</b>	<b>28,448,171</b>	<b>1,052,018</b>
<b>Liabilities</b>				
Accounts payable	185,093	585,280	770,373	1,254
Accrued liabilities	71,228	195,689	266,917	4,112
Accrued compensated absences	140,370	165,787	306,157	0
Due to other governmental units	31,558	0	31,558	0
Customer deposits	0	182,024	182,024	0
Deferred revenue	50	5,940	5,990	0
Noncurrent liabilities:				
Due within one year	137,053	425,735	562,788	130,000
Due in more than one year	5,338,682	7,582,918	12,921,600	1,355,000
<b>Total liabilities</b>	<b>5,904,034</b>	<b>9,143,373</b>	<b>15,047,407</b>	<b>1,490,366</b>
<b>Net assets</b>				
Invested in capital assets, net of related debt	1,144,033	6,722,900	7,866,933	(534,686)
Restricted for:				
Major Streets	42,063	0	42,063	0
Local Streets	4,078	0	4,078	0
Historic District Commission	55,427	0	55,427	0
Capital Projects	13,626	0	13,626	0
Debt Service	600	521,336	521,936	0
Emergency purchases	0	1,000,000	1,000,000	0
Cemetery trust corpus	248,782	0	248,782	0
Programs	2,142	0	2,142	0
Unrestricted	(74,521)	3,720,298	3,645,777	96,338
<b>Total net assets (deficit)</b>	<b>\$ 1,436,230</b>	<b>\$ 11,964,534</b>	<b>\$ 13,400,764</b>	<b>\$ (438,348)</b>

See accompanying notes to financial statements.

**CITY OF LOWELL**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2005**

Functions/Programs	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
<b>Primary Government</b>							<b>Downtown Development Authority</b>
Governmental Activities:							
General government	\$ 612,292	\$ 120,850	\$ 3,761	\$ 0	\$ (487,681)	\$ 0	\$ 0
Public safety	1,121,955	67,368	1,053	43,910	(1,009,624)	0	0
Highways and streets	224,831	0	322,092	0	97,261	0	0
Public services	530,402	11,925	50,000	0	(468,477)	0	0
Interest on long-term debt	263,897	0	0	0	(263,897)	0	0
Total governmental activities	<u>2,753,377</u>	<u>200,143</u>	<u>376,906</u>	<u>43,910</u>	<u>(2,132,418)</u>	<u>0</u>	<u>0</u>
<b>Business-type activities:</b>							
Airport	28,965	35,658	0	0	0	6,693	0
Light & Power	5,328,374	5,296,392	0	0	0	(31,982)	0
Cable T. V.	1,224,369	1,246,129	0	0	0	21,760	0
Wastewater	830,522	621,274	0	22,871	0	(186,377)	0
Water	714,295	798,339	0	41,122	0	126,166	0
Total business-type activities	<u>8,126,525</u>	<u>7,998,792</u>	<u>0</u>	<u>63,993</u>	<u>0</u>	<u>(63,740)</u>	<u>0</u>
Total primary government	<u>\$ 10,879,902</u>	<u>\$ 8,198,935</u>	<u>\$ 376,906</u>	<u>\$ 107,903</u>	<u>(2,132,418)</u>	<u>(63,740)</u>	<u>0</u>
<b>Component unit activities:</b>							
Downtown Development Authority	\$ 303,779	\$ 0	\$ 0	\$ 0			(303,779)
Total component units	<u>\$ 303,779</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>			<u>(303,779)</u>
General revenues:							
Property taxes					1,550,016	0	444,312
State shared revenues					409,769	0	0
Interest earnings					26,647	141,437	3,676
Contributions					262,474	31,785	0
Total general revenues and transfers					<u>2,248,906</u>	<u>173,222</u>	<u>447,988</u>
Changes in net assets							
Net assets (deficit), beginning of year					116,488	109,482	144,209
Net assets (deficit), end of year					<u>1,319,742</u>	<u>11,855,052</u>	<u>(582,557)</u>
Net assets (deficit), end of year					<u>\$ 1,436,230</u>	<u>\$ 11,964,534</u>	<u>\$ (438,348)</u>

See accompanying notes to financial statements.

**CITY OF LOWELL**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2005**

	<u>General</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Cash and pooled investments	\$ 0	\$ 17,473	\$ 367,285	\$ 384,758
Receivables				
Accounts	14,791	0	0	14,791
Special assessments	6,007	0	0	6,007
Due from other governmental units	138,044	0	46,719	184,763
Due from other funds	94,335	0	0	94,335
Prepaid expenses	12,862	0	0	12,862
<b>Total assets</b>	<u><u>\$ 266,039</u></u>	<u><u>\$ 17,473</u></u>	<u><u>\$ 414,004</u></u>	<u><u>\$ 697,516</u></u>
<b>Liabilities</b>				
Accounts payable	\$ 150,674	\$ 3,847	\$ 10,653	\$ 165,174
Accrued liabilities	40,948	0	2,013	42,961
Due to other funds	0	0	50,000	50,000
Due to other governments	31,558	0	0	31,558
Deferred revenue	50	0	0	50
Accrued compensated absences	13,341	0	388	13,729
<b>Total liabilities</b>	<u><u>236,571</u></u>	<u><u>3,847</u></u>	<u><u>63,054</u></u>	<u><u>303,472</u></u>
<b>Fund balances</b>				
Reserved for:				
Permanent trust	0	0	248,782	248,782
Programs	2,142	0	0	2,142
Debt service	0	0	600	600
Unreserved				
Undesignated	27,326	13,626	0	40,952
Undesignated reported in special revenue funds	0	0	101,568	101,568
<b>Total fund balances</b>	<u><u>29,468</u></u>	<u><u>13,626</u></u>	<u><u>350,950</u></u>	<u><u>394,044</u></u>
<b>Total liabilities and fund balances</b>	<u><u>\$ 266,039</u></u>	<u><u>\$ 17,473</u></u>	<u><u>\$ 414,004</u></u>	<u><u>\$ 697,516</u></u>

**CITY OF LOWELL**  
**Reconciliation of Fund Balances on the Balance Sheet**  
**for Governmental Funds to Net Assets of**  
**Governmental Activities on the Statement of Net Assets**  
**June 30, 2005**

Fund balances-total governmental funds	\$ 394,044
Amounts reported for <i>governmental activities</i> in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Add-capital assets (net)	6,596,964
An internal service fund is used by management to charge the costs of certain equipment usage and data processing to individual governmental funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.	
Add-(loss) net assets of governmental activities accounted for in the internal service fund	66,750
Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
Deduct-compensated absences payable	(119,308)
Deduct-bonds payable and lease purchases payable	(5,475,735)
Deduct-accrued interest on bonds payable	(26,485)
Net assets of governmental activities	<u>\$ 1,436,230</u>

**CITY OF LOWELL**  
**GOVERNMENTAL FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Taxes	\$ 1,550,016	\$ 0	\$ 0	\$ 1,550,016
Intergovernmental revenues:				
Federal	43,910	0	0	43,910
State	414,583	0	270,573	685,156
Charges for services	112,123	0	0	112,123
Interest income	7,510	619	18,518	26,647
Charges for perpetual care	0	0	3,250	3,250
Miscellaneous	363,894	6,000	78,869	448,763
<b>Total revenues</b>	<b>2,492,036</b>	<b>6,619</b>	<b>371,210</b>	<b>2,869,865</b>
<b>Expenditures</b>				
Current:				
General government	507,966	0	0	507,966
Public safety	1,275,600	0	0	1,275,600
Highways and streets	0	0	184,340	184,340
Public services	481,111	0	14,318	495,429
Other functions	64,422	1,598	152	66,172
Debt service:				
Principal retirement	0	0	120,000	120,000
Interest and fiscal charges	0	0	264,695	264,695
Capital outlay	0	19,981	296,699	316,680
<b>Total expenditures</b>	<b>2,329,099</b>	<b>21,579</b>	<b>880,204</b>	<b>3,230,882</b>
<b>Revenues over (under) expenditures</b>	<b>162,937</b>	<b>(14,960)</b>	<b>(508,994)</b>	<b>(361,017)</b>
<b>Other financing sources (uses)</b>				
Transfers in	15,349	0	392,185	407,534
Transfers out	(347,185)	0	(60,349)	(407,534)
Capital lease	82,671	0	0	82,671
<b>Total other financing sources (uses)</b>	<b>(249,165)</b>	<b>0</b>	<b>331,836</b>	<b>82,671</b>
<b>Net change in fund balance</b>	<b>(86,228)</b>	<b>(14,960)</b>	<b>(177,158)</b>	<b>(278,346)</b>
<b>Fund balance, beginning of year</b>	<b>115,696</b>	<b>28,586</b>	<b>528,108</b>	<b>672,390</b>
<b>Fund balance, end of year</b>	<b>\$ 29,468</b>	<b>\$ 13,626</b>	<b>\$ 350,950</b>	<b>\$ 394,044</b>

## CITY OF LOWELL

### Reconciliation of the Statement of Revenues, Expenditures and Change in Fund Balances of Governmental Funds to the Statement of Activities

FOR THE YEAR ENDED JUNE 30, 2005

Net change in fund balances-total governmental funds \$ (278,346)

Amounts reported for governmental activities in the statement of activities  
are different because:

Governmental funds report capital outlays as expenditures. However, in the  
statement of activities, the cost of those assets is allocated over their  
estimated useful lives and reported as depreciation expense.

Add- capital outlay	512,661
Deduct-depreciation expense	(170,986)
Deduct-disposals	(2,286)

Bond proceeds provide current financial resources to governmental funds in  
the period issued, but issuing bonds increases long-term liabilities in  
the statement of net assets. Repayment of bond principal is an expenditure  
in the governmental funds, but the repayment reduces long-term liabilities  
in the statement of net assets.

Add-principal payments on long-term liabilities	192,325
Deduct-capital lease proceeds	(82,671)

An internal service fund is used by management to charge the costs of certain  
equipment usage to individual governmental funds. The net revenue (expense)  
of the fund attributable to those funds is reported with governmental activities.

Add-income from governmental activities in internal service fund	(45,000)
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Some expenses reported in the statement of activities do not require the use  
of current financial resources and therefore are not reported as expenditures in  
the funds.

Add-changes in compensated absences	(10,007)
Add-accrued interest	798

Change in net assets of governmental activities	<u>\$ 116,488</u>
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**CITY OF LOWELL**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**AMENDED BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES				
Taxes	\$ 1,545,769	\$ 1,545,769	\$ 1,550,016	\$ 4,247
Intergovernmental	422,900	466,810	458,493	(8,317)
Charges for services	122,516	122,516	112,123	(10,393)
Investment income	6,100	6,100	7,510	1,410
Miscellaneous	232,428	316,682	363,894	47,212
TOTAL REVENUES	<u>2,329,713</u>	<u>2,457,877</u>	<u>2,492,036</u>	<u>34,159</u>
EXPENDITURES				
Current				
General government	455,356	515,784	507,966	7,818
Public safety	1,032,055	1,222,462	1,275,600	(53,138)
Public service	504,455	481,802	481,111	691
Other functions	86,302	60,197	64,422	(4,225)
TOTAL EXPENDITURES	<u>2,078,168</u>	<u>2,280,245</u>	<u>2,329,099</u>	<u>(48,854)</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>251,545</u>	<u>177,632</u>	<u>162,937</u>	<u>(14,695)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	6,000	6,000	15,349	9,349
Transfers out	(349,165)	(349,165)	(347,185)	1,980
Capital lease	0	48,400	82,671	34,271
TOTAL OTHER FINANCING SOURCES (USES)	<u>(343,165)</u>	<u>(294,765)</u>	<u>(249,165)</u>	<u>45,600</u>
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>(91,620)</u>	<u>(117,133)</u>	<u>(86,228)</u>	<u>30,905</u>
FUND BALANCES, BEGINNING OF YEAR	<u>115,696</u>	<u>115,696</u>	<u>115,696</u>	<u>0</u>
FUND BALANCES, END OF YEAR	<u>\$ 24,076</u>	<u>\$ (1,437)</u>	<u>\$ 29,468</u>	<u>\$ 30,905</u>

**CITY OF LOWELL**  
**PROPRIETARY FUNDS**  
**COMBINING STATEMENTS OF NET ASSETS**

JUNE 30, 2005

ASSETS	Enterprise Funds						Governmental Activities
	WASTEWATER	WATER	AIRPORT	CABLE TV	LIGHT & POWER	TOTAL	INTERNAL SERVICE FUNDS
<b>Current assets</b>							
Cash and pooled investments	\$ 350,385	\$ 182,725	\$ 48,660	\$ 200,942	\$ 376,636	\$ 1,159,348	\$ 47,186
Investments	0	0	0	0	2,107,806	2,107,806	0
Accounts receivable	74,529	123,760	9,628	51,698	772,909	1,032,524	5,072
Special assessments	74,899	22,612	0	0	0	97,511	0
Due from other funds	0	0	0	0	0	0	0
Due from other governmental units	178	0	0	0	0	178	0
Current portion of advance receivable	0	0	0	0	48,683	48,683	0
Inventory	0	49,243	0	0	2,686	51,929	20,719
Prepaid expenses	0	0	0	11,135	29,031	40,166	0
<b>Total current assets</b>	<b>499,991</b>	<b>378,340</b>	<b>58,288</b>	<b>263,775</b>	<b>3,337,751</b>	<b>4,538,145</b>	<b>72,977</b>
<b>Restricted assets</b>							
Cash and pooled investments	195,772	215,409	0	9,130	1,080,898	1,501,209	0
Investments	0	0	0	0	430,018	430,018	0
<b>Total restricted assets</b>	<b>195,772</b>	<b>215,409</b>	<b>0</b>	<b>9,130</b>	<b>1,510,916</b>	<b>1,931,227</b>	<b>0</b>
<b>Non-current assets</b>							
Advance receivable	0	0	0	0	520,123	520,123	0
<b>Capital assets</b>							
Land	4,500	109,908	31,273	0	64,157	209,838	0
Work in progress	0	0	0	10,343	91,555	101,898	0
Land improvements	0	174,706	169,224	0	0	343,930	0
Buildings and plant	5,180,178	987,184	212,030	2,178,302	14,279,063	22,836,757	0
Machinery and equipment	608,336	676,286	0	0	0	1,284,622	873,195
Improvements other than buildings	1,192,068	3,998,089	0	0	0	5,190,157	0
Less:							
Accumulated depreciation	(4,601,441)	(2,215,324)	(121,733)	(1,680,991)	(6,616,160)	(15,235,649)	(850,388)
<b>Net capital assets</b>	<b>2,383,641</b>	<b>3,730,849</b>	<b>290,794</b>	<b>507,654</b>	<b>7,818,615</b>	<b>14,731,553</b>	<b>22,807</b>
<b>Total assets</b>	<b>\$ 3,079,404</b>	<b>\$ 4,324,598</b>	<b>\$ 349,082</b>	<b>\$ 780,559</b>	<b>\$ 13,187,406</b>	<b>\$ 21,721,048</b>	<b>\$ 95,784</b>
<b>LIABILITIES</b>							
<b>Current liabilities</b>							
Accounts payable	\$ 57,897	\$ 10,390	\$ 0	\$ 73,457	\$ 421,965	\$ 563,709	\$ 19,919
Accrued liabilities	27,799	41,678	192	12,124	113,896	195,689	1,782
Due to other funds	0	0	15,622	904	27,809	44,335	0
Franchise fee payable	0	0	0	21,571	0	21,571	0
Current portion of advance payable	0	0	0	48,683	0	48,683	0
Customer deposits	0	2,565	2,380	0	0	4,945	0
Current maturity on long-term debt	0	14,000	6,735	0	0	20,735	0
<b>Total current liabilities</b>	<b>85,696</b>	<b>68,633</b>	<b>24,929</b>	<b>156,739</b>	<b>563,670</b>	<b>899,667</b>	<b>21,701</b>
<b>Current liabilities payable from restricted assets</b>							
Current maturity of bonds payable	135,000	135,000	0	0	135,000	405,000	0
Customer deposits	0	0	0	9,180	167,899	177,079	0
<b>Total other current liabilities</b>	<b>135,000</b>	<b>135,000</b>	<b>0</b>	<b>9,180</b>	<b>302,899</b>	<b>582,079</b>	<b>0</b>
<b>Non-current liabilities</b>							
Bonds and notes payable net of current	893,324	1,870,325	39,804	0	4,779,465	7,582,918	0
Advances payable	0	0	0	520,123	0	520,123	0
Deferred revenue	0	0	5,940	0	0	5,940	0
Accrued compensated absences	13,543	29,967	0	39,383	82,894	165,787	7,333
<b>Total non-current liabilities</b>	<b>906,867</b>	<b>1,900,292</b>	<b>45,744</b>	<b>559,506</b>	<b>4,862,359</b>	<b>8,274,768</b>	<b>7,333</b>
<b>Total liabilities</b>	<b>1,127,563</b>	<b>2,103,925</b>	<b>70,673</b>	<b>725,425</b>	<b>5,728,928</b>	<b>9,756,514</b>	<b>29,034</b>
<b>NET ASSETS</b>							
Invested in capital assets, net of related debt	1,355,317	1,711,524	244,255	507,654	2,904,150	6,722,900	22,807
Restricted for debt service	60,772	80,409	0	0	380,155	521,336	0
Emergency purchase	0	0	0	0	1,000,000	1,000,000	0
Unrestricted	535,752	428,740	34,154	(452,520)	3,174,172	3,720,298	43,943
<b>Total net assets</b>	<b>\$ 1,951,841</b>	<b>\$ 2,220,673</b>	<b>\$ 278,409</b>	<b>\$ 65,134</b>	<b>\$ 7,458,477</b>	<b>\$ 11,964,534</b>	<b>\$ 66,750</b>

See accompanying notes to financial statements.

# CITY OF LOWELL

## PROPRIETARY FUNDS COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2005

	Enterprise Funds					Governmental Activities INTERNAL SERVICE FUNDS
	WASTEWATER	WATER	AIRPORT	CABLE TV	LIGHT & POWER	
Operating revenues						
Charges for services	\$ 620,674	\$ 792,669	\$ 35,658	\$ 1,246,129	\$ 5,296,392	\$ 7,991,522
Tap fees	600	6,670	0	0	0	7,270
Total operating revenues	621,274	799,339	35,658	1,246,129	5,296,392	154,140
Operating expenses						
Treatment	392,300	242,661	0	0	0	634,961
Transmission and distribution	86,739	180,867	0	69,670	424,360	761,636
Customer accounts	34,046	33,915	0	0	106,204	174,165
Administrative and general	28,380	36,294	13,510	468,126	660,415	1,206,725
Purchased programs and power expenses	0	0	0	577,048	3,119,725	3,696,773
Depreciation and amortization	216,401	108,432	12,404	85,753	578,751	1,001,741
Payment in lieu of taxes	0	0	0	0	214,330	214,330
Total operating expenses	757,866	602,169	25,914	1,200,597	5,103,785	7,690,331
Operating income (loss)	(136,592)	197,170	9,744	45,532	192,607	(46,137)
Non-operating revenues (expenses)						
Interest income	11,273	11,629	974	4,700	112,861	141,437
Interest expense	(72,656)	(112,126)	(3,051)	(23,772)	(224,589)	(436,194)
Miscellaneous revenue	951	28,087	2,747	0	0	31,785
Total non-operating revenues (expenses)	(60,432)	(72,410)	670	(19,072)	(111,728)	(262,972)
Income (loss) before contributions and transfers	(197,024)	124,760	10,414	26,460	80,879	45,489
Capital contributions	22,871	41,122	0	0	0	63,993
Change in net assets	(174,153)	165,882	10,414	26,460	80,879	(45,000)
Net assets, beginning of year	2,125,994	2,054,791	267,995	28,674	7,377,598	11,855,052
Net assets, end of year	\$ 1,951,841	\$ 2,220,673	\$ 278,409	\$ 55,134	\$ 7,458,477	\$ 11,964,534
						\$ 66,750

See accompanying notes to financial statements.

**CITY OF LOWELL**  
**PROPRIETARY FUNDS**  
**COMBINING STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	ENTERPRISE FUNDS					GOVERNMENTAL ACTIVITIES
	WASTEWATER	WATER	AIRPORT	CABLE T.V.	LIGHT & POWER	INTERNAL SERVICE FUNDS
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Receipts from interfund services provided	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 155,452
Receipts from customers and users	631,057	782,884	35,549	1,229,993	5,198,589	0
Payments to suppliers	(401,338)	(187,142)	(13,526)	(842,429)	(3,860,987)	(68,957)
Payments to employees	(143,664)	(321,058)	0	(282,320)	(552,276)	(97,814)
Net cash provided by (used in) operating activities	86,055	274,684	22,023	105,244	785,326	(11,319)
<b>CASH FLOWS FROM NON-CAPITAL FINANCING</b>						
Due to other funds	0	0	(3,000)	0	0	4,946
Due from other funds/advances receivable	77	0	0	0	46,777	36,568
Other activities	23,822	69,209	2,747	0	0	0
Net cash provided by (used in) non-capital financing	23,899	69,209	(253)	0	46,777	41,514
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Acquisitions of capital assets	(92,444)	(225,311)	(9,050)	(22,494)	(427,657)	0
Principal paid on long-term debt/advances	(130,000)	(130,000)	(6,236)	(46,777)	(135,000)	0
Interest paid on long-term debt/advances	(63,210)	(115,086)	(3,051)	(23,772)	(224,589)	0
Proceeds from sale of capital assets	0	0	0	319	414	0
NET CASH PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES	(285,654)	(470,397)	(18,337)	(92,724)	(786,832)	0
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Interest income	11,273	11,629	974	4,700	112,861	1,137
Sale of investments	0	0	0	0	(154,992)	0
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	11,273	11,629	974	4,700	(42,131)	1,137
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(164,427)	(114,875)	4,407	17,220	3,140	31,332
<b>CASH AND POOLED INVESTMENTS, BEGINNING OF YEAR</b>	710,584	513,009	44,253	192,852	1,454,394	15,854
<b>CASH AND POOLED INVESTMENTS, END OF YEAR</b>	\$ 546,157	\$ 398,134	\$ 48,660	\$ 210,072	\$ 1,457,534	\$ 47,186
Cash and pooled investments	\$ 350,385	\$ 182,725	\$ 48,660	\$ 200,942	\$ 376,636	\$ 47,186
Restricted cash and pooled investments	195,772	215,409	0	9,130	1,080,898	0
Total	\$ 546,157	\$ 398,134	\$ 48,660	\$ 210,072	\$ 1,457,534	\$ 47,186
Reconciliation of operating income (loss) to net cash provided by operating activities						
Operating income (loss)	\$ (136,592)	\$ 197,170	\$ 9,744	\$ 45,532	\$ 192,607	\$ (46,137)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities						
Depreciation and amortization	216,401	108,432	12,404	85,753	578,751	35,929
Changes in operating assets and liabilities which provided (used) cash:						
Accounts receivable	8,884	(16,915)	(1,356)	(16,408)	(103,245)	1,312
Due from other governmental units	899	0	0	0	0	0
Inventory	0	(9,401)	0	0	536	0
Prepaid expenses	0	0	0	277	5,446	0
Accounts payable	(1,893)	(8,099)	(16)	(12,570)	84,711	0
Accrued liabilities	(1,644)	3,037	1,027	3,287	(8,449)	(2,520)
Due to other funds	0	0	0	103	(5,249)	97
Customer deposits	0	460	220	(730)	40,218	0
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ 86,055	\$ 274,684	\$ 22,023	\$ 105,244	\$ 785,326	\$ (11,319)

See accompanying notes to financial statements.

**CITY OF LOWELL**  
**FIDUCIARY FUNDS**  
**STATEMENTS OF NET ASSETS**

**JUNE 30, 2005**

<b>ASSETS</b>	<b>Private Purpose Trust Funds</b>	<b>Agency Funds</b>
Cash and pooled investments	\$ 103,320	\$ 289
Investments	1,109,456	0
<b>Total assets</b>	<b>1,212,776</b>	<b>289</b>
<b>LIABILITIES</b>		
Due to other governments	0	56
<b>Total Liabilities</b>	<b>0</b>	<b>56</b>
<b>NET ASSETS</b>		
Restricted	20,833	0
Unrestricted board designated	1,146,199	0
Unrestricted	45,744	233
<b>Total net assets</b>	<b>\$ 1,212,776</b>	<b>\$ 233</b>

**CITY OF LOWELL**  
**PRIVATE PURPOSE TRUSTS**  
**STATEMENT OF CHANGES IN FIDUCIARY**  
**NET ASSETS**

**FOR THE YEAR ENDED JUNE 30, 2005**

	<u>Totals</u>
<b>Operating revenues</b>	
Interest and miscellaneous	<u>\$ 86,482</u>
<b>Expenses</b>	
Other functions	<u>52,014</u>
<b>Changes in net assets</b>	<u><b>34,468</b></u>
<b>Net assets, beginning of year</b>	<u>1,178,308</u>
<b>Net assets, end of year</b>	<u><b>\$ 1,212,776</b></u>

## **Notes to Financial Statements**

# **City of Lowell**

## **Notes to Financial Statements For the Year Ended June 30, 2005**

### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Lowell (the "City") was incorporated in 1960, under the provision of Act 279, P.A. 1909, as amended (Home Rule City Act). The City operates under a Council-Manager form of government and provides the following services as authorized by its charter: Public safety (police and fire), highways and streets, sanitation, health and social services, culture-recreation, public improvements, planning and zoning, and general administrative services.

The accounting policies of the City conform to generally accepted accounting principles, as described below, as applicable to governments. The following is a summary of the more significant policies:

#### ***The Reporting Entity***

As required by generally accepted accounting principles, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City's operations, so data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the combined financial statements to emphasize they are legally separate from the City. A separate section of the General Purpose Financial Statements provides detailed financial information on the discretely presented component unit.

#### ***Restricted Assets***

Certain bond and deposit agreements require assets to be set aside for principal, interest repayment and other purposes. These assets are classified as restricted assets on the balance sheet because their use is limited by applicable agreement requirements.

#### ***Blended Component Unit***

**Building Authority** – The Building Authority is an entity legally separated from the City. For financial reporting purposes, the Building Authority is reported as if it were part of the City's operations because its purpose is to acquire, construct and equip public buildings on behalf of the City.

The Building Authority is the only blended component unit.

#### ***Discretely Presented Component Unit***

**Downtown Development Authority** – The Downtown Development Authority (DDA), was established pursuant to the provisions of Public Act 197 of 1975, and is governed by a nine (9) person Board of Directors appointed by the City Council. All record and minutes are open to the public and can be inspected at the City of Lowell, 301 E. Main Street, Lowell, MI 49331. Separate financial statements are not prepared for the Downtown Development Authority.

The Downtown Development Authority is the only discretely presented component unit.



# City of Lowell

Notes to Financial Statements  
For the Year Ended June 30, 2005

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### **Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

### ***Measurement Focus, Basis of Accounting, and Financial Statement Presentation***

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements except for agency funds which have no measurement focus. Revenues are recorded when earned and expenses are recorded when liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. After March 1 of the following year, the County pays the City for any outstanding real property (excluding personal property) taxes of that date. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be recorded when all eligibility requirements have been met. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service, landfill remediation and compensated absences expenditures are recorded only when payment is due.

## City of Lowell

Notes to Financial Statements  
For the Year Ended June 30, 2005

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)*

Property taxes, intergovernmental revenue, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Capital fund* is used to account for the issuance of the Building Authority bonds and the related construction and renovation projects.

The City reports the following major proprietary funds:

The *Wastewater Fund* accounts for operation, maintenance and capital improvement of the wastewater system, and retirement of related debt.

The *Water Fund* accounts for operation, maintenance and capital improvement of the wastewater system, and retirement of related debt.

The *Airport Fund* accounts for operation, maintenance and capital improvement of the airport and retirement of related debt.

The *Cable T.V. Fund* accounts for operation, maintenance and capital improvements of the cable television system, and retirement of related debt.

The *Light and Power Fund* accounts for operation, maintenance and capital improvements of the electrical utility system, and retirement of related debt.

Additionally, the City reports the following fund types:

The *Special Revenue Funds* are used to account for revenue from specific revenue sources (other than capital projects) and related expenditures which are restricted for specific purposes by administrative action or law.

The *Debt Service Funds* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The *Internal Service Funds* account for services provided internally to city departments including data processing and equipment rental and repair on a cost reimbursement basis.

# City of Lowell

## Notes to Financial Statements For the Year Ended June 30, 2005

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)*

The *Permanent Trust Fund* is used to account for the corpus of the cemetery trust which provides funding for cemetery maintenance activities.

The *Trust and Agency Funds* are used to account for assets held by the City in a trustee or agency capacity on behalf of outside parties, including other governments. These include a private purpose trusts and agency funds.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and sewer functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as a program revenues include: 1) charges to customers or applications for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguished *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges for services. The principal operating revenues of the City's internal service funds are charges to City departments for equipment amortization and insurance coverage. Operating expenses for the enterprise funds and internal service funds include wages, supplies, contracted service and depreciation on capital assets. Operating expenses for the internal service funds also include the cost of services. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

## **City of Lowell**

### **Notes to Financial Statements For the Year Ended June 30, 2005**

#### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### ***Receivables and Payables***

During the course of the operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet. Non-current portions of long-term interfund loans receivable in the funds are reported as advances.

Any residual balances outstanding between the governmental activities and business-type activity are reported in the government-wide financial statements as "internal balances."

##### ***Allowance for Doubtful Accounts***

Lowell Light & Power and Cable enterprise funds have established a reserve for uncollectible customer receivables. The reserve for uncollectible accounts for Light & Power at June 30, 2005 was \$5,061. The reserve for Cable at June 30, 2005 was \$5,708.

Accounts receivables are shown net of allowance for doubtful accounts.

##### ***Inventories and Prepaid Items***

Inventories are valued at cost on the first-in/first-out (FIFO) method. Inventories are recorded as expenditures when consumed rather than when purchased.

Payments made to vendors for services that will benefit periods beyond a fund's fiscal year-end recorded as prepaid items in both government-wide and fund financial statements.

##### ***Cash and Pooled Investments***

For the purpose of the statement of cash flows, the City considers all assets held in the cash and investment pool to be cash equivalents because the investments are not identifiable to specific funds and the assets can be withdrawn at any time, similar to a demand deposit account.

##### ***Budgets and Budgetary Accounting***

Budgets are adopted for general and special revenue funds which are adopted on a basis consistent with generally accepted accounting principles (GAAP). The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The City Manager submitted to the city Council, a proposed operating budget for the fiscal year. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings were conducted by the City to obtain taxpayer comments.

## City of Lowell

### Notes to Financial Statements For the Year Ended June 30, 2005

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### *Budgets and Budgetary Accounting (Continued)*

3. By June of each year, the budget is legally enacted through passage of the appropriations act.
4. The City Manager is authorized to make budget transfers to or from any one appropriation category during the fiscal year within dollar limits established by the City Council. The legal level of budgetary control is at the department level.
5. Formal budgetary integration is employed as a management control device during the year. Budget appropriations lapse at year-end.
6. The budgeted amounts presented in these financial statements are final budgets, after amendments on various dates.

##### *Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. road, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and estimated useful life in excess of two years. Such assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received. The amount reported for infrastructure includes only assets added beginning in 2004.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

No interest expense has been incurred or capitalized on capital assets reported in proprietary funds.

Depreciation on the capital assets (including infrastructure) of the primary government, as well as the component units, is computed using the straight-line method over the following estimate useful lives:

	<u>Years</u>
Buildings.....	30-50
Equipment.....	5-50
Improvements.....	30-50
Public domain infrastructure .....	40

# City of Lowell

Notes to Financial Statements  
For the Year Ended June 30, 2005

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### *Deferred Revenue*

Funds report *deferred revenues* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period or for resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred revenue* reported in the funds were as follows:

Advance Property Tax receipts (General Fund)	\$ 50
Advance rent payments (Airport)	<u>5940</u>
	<u><u>\$ 5990</u></u>

### *Net Assets/Fund Balance*

Reserved fund balance/net assets represent those portions of fund balance/net assets not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

### *Long-Term Obligations*

In the government-wide financial statements and proprietary fund types in the financial statements, the long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. For new bond issuances after the implementation of GASB Statement No. 34, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as debt service expenditures.

### *Investments*

Investments are stated at fair value in accordance with GASB Statement No. 31.

### *Property Taxes*

City property taxes are attached as an enforceable lien on property as of July 1<sup>st</sup>. Taxes are levied July 1 and are due without penalty on or before August 31. These summer tax bills include the City's own property taxes and taxes billed on behalf of other districts within the City limits. Real property taxes not collected are returned to the County for collection, which advances the City 100% for the delinquent real property taxes. Collection of delinquent personal property taxes remains the responsibility of the City Treasurer.

## **City of Lowell**

Notes to Financial Statements  
For the Year Ended June 30, 2005

### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### ***Payment in Lieu of Property Taxes/Franchise Fees***

The Light and Power and Cable Television enterprise funds make payment in lieu of property taxes and franchise fee payments which are recorded as expenses in the enterprise funds and revenues in the general fund.

#### ***Accrued Vacation and Sick Leave***

All full-time employees are allowed to earn and accumulate sick and vacation pay subject to per employee maximum accumulated hours. These hours vest with each employee and are payable upon termination (varies with employment agreement), retirement or exceeding the maximum hours accrued. Accrued compensated absences are reported in the proprietary fund types, governmental fund types to the extent that they will be liquidated with expendable available financial resources, and the long-term balance payable from governmental funds is recorded on the statement on net assets.

#### ***Post-Retirement Health Care Benefits***

The City provides postretirement healthcare benefits to all employees who retire from the City and qualify for benefits under the terms of the City's retirement plan. These post-retirement healthcare benefits are limited to a maximum of five years, or attainment of age 65, whichever comes first. Currently two former employees meet these requirements and received \$16,897 in benefits for the year ended June 30, 2005. These benefits are unfunded and financed on a pay-as-you-go basis. Benefits are treated as expenditures when paid.

#### ***Interfund Transactions***

During the course of normal operations, the City has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers. Operating subsidies are also recorded as transfers.

#### ***Risk Management***

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2005, the City carried commercial insurance to cover risk of losses. The City has had no settled claims resulting from these risks that exceeded their commercial coverage in any of the past three fiscal years. The City has not significantly reduced insurance coverage during the past year.

## City of Lowell

### Notes to Financial Statements For the Year Ended June 30, 2005

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### *Use of Estimates*

The preparation of financial statements requires the use of estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

#### 2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the City's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the City for these budgetary funds were adopted at the department level.

During the year ended June 30, 2005, the City incurred expenditures in certain budgetary funds, which were in excess of the amounts appropriated, as follows:

	<u>Total Appropriations</u>	<u>Amount of Expenditures</u>	<u>Budget Variance</u>
<b>General Fund</b>			
Elections	\$ 6,850	\$ 7,389	\$ (489)
Library	48,354	53,112	(4,758)
Cemetery	78,459	83,162	(4,703)
Attorney	30,000	30,431	(431)
Sidewalks	9,435	10,372	(937)
Refuse collection	70,000	75,332	(5,332)
Police	855,486	879,855	(24,369)
Fire	364,976	393,745	(28,769)
Sidewalks	9,435	10,396	(961)
Other functions	60,197	64,422	(4,225)
<b>Special Revenue Fund</b>			
<b>Local Street</b>			
Administration	19,030	19,530	(500)
Capital Outlay	80,000	162,550	(82,550)

#### 3. DEPOSITS AND INVESTMENTS

The city utilizes various pooled cash accounts and investments for approximately twenty funds. The City's pooled cash accounts consist of a common checking account, savings accounts, certificates of deposit, and investment trust funds.



## City of Lowell

### Notes to Financial Statements For the Year Ended June 30, 2005

#### 3. DEPOSITS AND INVESTMENTS (CONTINUED)

The City's pooled cash accounts and investments are utilized by the General Fund, Special Revenue Funds, Debt Service Funds, Capital Project Funds, Enterprise Funds, Internal Service Funds, and the Trust and Agency Funds. Each fund's portion of these pooled accounts is included in the cash and cash equivalents and investments captions on the basic financial statements. The other funds of the City utilize separate savings and interest bearing checking accounts. In addition, certificates of deposit are held separately by several of the City's funds.

##### *Statutory Authority*

State statutes authorize the City to invest in:

- a. Bond, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- d. Bankers' acceptances of United States banks.
- e. Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
- f. Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- g. External investment pools as authorized by Public Act 20 as amended through December 31, 1997.

##### *Deposits*

As of June 30, 2005, the carrying amounts and bank balances for each type of bank account are as follows:

Account Type	Carrying Amount	Bank Balance
Primary Government	\$ 2,520,841	\$ 2,575,423
Fiduciary Funds	0	11,412
Total Reporting Entity	<u>\$ 2,520,841</u>	<u>\$ 2,586,835</u>

## City of Lowell

### Notes to Financial Statements For the Year Ended June 30, 2005

#### 3. DEPOSITS AND INVESTMENTS (CONTINUED)

Deposits of the city are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the City. As of June 30, 2005, the City accounts were insured by the FDIC for \$507,987 and the amount of \$2,078,848 was uninsured and uncollateralized.

##### *Investments*

As of June 30, 2005, the fair market value for the investments is as follows:

Investment Type	Primary Government	Fiduciary Funds	Total	Standard & Poor's Rating	Portfolio %
U.S. Government Securities	\$ 2,172,896	\$ 594,729	\$ 2,767,625		83.4%
Federal Home Loan Mortgage (FDMC)	48,338	458,305	506,643	AAA	15.3%
Federal National Mortgage (FNMA)	0	42,967	42,967	AAA	1.3%
Total	<u>\$ 2,221,234</u>	<u>\$ 1,096,001</u>	<u>\$ 3,317,235</u>		<u>100.0%</u>

##### *Credit Risk*

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). As of June 30, 2005, the Kent County Investment Pool total of \$576,832 and the Michigan Public Power Agency Pool amount of \$430,018 are not rated.

##### *Interest Rate Risk*

The City has not adopted a policy that indicates how the City will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by limiting the weighted average maturity of its investment portfolio to less than a given period of time.

# City of Lowell

Notes to Financial Statements  
For the Year Ended June 30, 2005

## 3. DEPOSITS AND INVESTMENTS (CONTINUED)

### *Concentration of Credit Risk*

The City limits amounts invested in a single security type or with a single financial institution. This indicates how the City will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the City's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

### *Custodial Credit Risk*

The City has adopted a policy that limits amounts invested with a single financial institution. This will minimize custodial credit risk, which is the risk that in the event of a failure by a counterparty, the City will not be able to recover the value of its investments of collateral securities that are in possession of an outside party.

The cash and cash equivalents and investments referred to above have been reported in either the cash and cash equivalents or investments captions on the combined balance sheet, based on criteria disclosed in Note 1. The following summarizes the categorization of these amounts as of June 30, 2005:

	Governmental Activities	Business- Type Activities	Component Unit DDA	Fiduciary Funds		
				Private Purpose Trust	Agency Funds	Total
Cash and pooled investments	\$ 431,944	\$ 1,159,348	\$ 101,704	\$ 103,320	\$ 289	\$ 1,796,605
Investments	0	2,107,806	0	1,109,456	0	3,217,262
Restricted assets – cash and						
Pooled investments	0	1,501,209	0	0	0	1,501,209
Restricted investments	0	430,018	0	0	0	430,018
	<u>\$ 431,944</u>	<u>\$ 5,198,381</u>	<u>\$ 101,704</u>	<u>\$ 1,212,776</u>	<u>\$ 289</u>	<u>\$ 6,945,094</u>

# City of Lowell

## Notes to Financial Statements For the Year Ended June 30, 2005

### 4. CAPITAL ASSETS

A summary of changes in capital assets follows:

	Balance July 1, 2004	Additions	Disposals	Balance June 30, 2005
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 568,460	\$ 0	\$ 0	\$ 568,460
<b>Total capital assets, not being depreciated</b>	<b>568,460</b>	<b>0</b>	<b>0</b>	<b>568,460</b>
Capital assets, being depreciated:				
Land improvements	245,709	337,836	(2,265)	581,280
Buildings	5,694,000	0	0	5,694,000
Equipments	1,539,887	154,844	(35,607)	1,659,124
Other improvements	55,874	19,981	0	75,855
<b>Total capital assets, being depreciated</b>	<b>7,535,470</b>	<b>512,661</b>	<b>(37,872)</b>	<b>8,010,259</b>
Less accumulated depreciation for:				
Land improvements	74,929	8,188	(882)	82,235
Buildings	560,176	105,733	0	665,909
Equipments	1,140,907	92,994	(34,495)	1,199,406
Other improvements	11,607	0	(206)	11,401
<b>Total accumulated depreciation</b>	<b>1,787,619</b>	<b>206,915</b>	<b>(35,583)</b>	<b>1,958,951</b>
<b>Total capital assets, being depreciated, net</b>	<b>5,747,851</b>	<b>305,746</b>	<b>(2,289)</b>	<b>6,051,308</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 6,316,311</b>	<b>\$ 305,746</b>	<b>\$ (2,289)</b>	<b>\$ 6,619,768</b>
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 209,838	\$ 0	\$ 0	\$ 209,838
Construction in progress	41,260	101,898	(41,260)	101,898
<b>Total capital assets, not being depreciated</b>	<b>251,098</b>	<b>101,898</b>	<b>(41,260)</b>	<b>311,736</b>
Capital assets, being depreciated:				
Land improvements	334,880	9,050	0	343,930
Buildings	22,517,488	422,027	(102,758)	22,836,757
Equipments	1,180,610	104,012	0	1,284,622
Other improvements	5,008,991	181,166	0	5,190,157
<b>Total capital assets, being depreciated</b>	<b>29,041,969</b>	<b>716,255</b>	<b>(102,758)</b>	<b>29,655,466</b>
Less accumulated depreciation for:				
Land improvements	104,719	9,501	0	114,220
Buildings	11,607,796	878,515	(102,126)	12,384,185
Equipments	1,133,795	10,318	0	1,144,113
Other improvements	1,495,125	98,006	0	1,593,131
<b>Total accumulated depreciation</b>	<b>14,341,435</b>	<b>996,340</b>	<b>(102,126)</b>	<b>15,235,649</b>
<b>Total capital assets, being depreciated, net</b>	<b>14,700,534</b>	<b>(280,085)</b>	<b>(632)</b>	<b>14,419,817</b>
<b>Business-type activities capital assets, net</b>	<b>\$ 14,951,632</b>	<b>\$ (178,187)</b>	<b>\$ (41,892)</b>	<b>\$ 14,731,553</b>

## City of Lowell

### Notes to Financial Statements For the Year Ended June 30, 2005

#### 4. CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions / programs of the primary government as follows:

Governmental activities:

General government	\$ 35,858
Public safety	87,142
Public works	13,013
Public services	34,973
Capital assets held by the government's internal service Fund are charged to the various functions based on Their usage of the assets	<u>35,929</u>

**Total depreciation expense – governmental activities** **\$ 206,915**

#### 5. DEFINED BENEFIT PENSION PLAN

##### *Municipal Employees Retirement System of Michigan*

The City participates in the Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer defined benefit pension plan providing retirement, death and disability benefits covering full-time City employees. The System is administered by the MERS retirement board. The MERS Retirement Board establishes and amends the benefit provisions of the participants in MERS. A publicly available financial report that includes financial statements and required supplementary information for MERS may be obtained by writing to the Municipal Employees Retirement Systems of Michigan 447 North Canal Road, Lansing, Michigan 48917 or by calling (800) 767-6377.

The City is required to contribute at an actuarially determined rate; the current rate is from 0% to 10.3% of annual covered payroll depending on position. Participating employees are required to contribute from 0% to 6% to the Plan. The contribution requirements of the City are established and may be amended by the MERS Retirement Board. The contribution requirements of plan members are established and may be amended by the City Council, depending on the MERS program adopted.

For the year ended June 30, 2005, the City's annual pension cost for MERS of \$237,240 was equal to the City's required and actual contributions. The required contribution was determined as part of the December 31, 2004 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included: (a) a rate of return on the investment of present and future assets of 8.0%; (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation; and (c) additional projected salary increases of 0.0% to 4.2% per year, depending on age, attributable to seniority/merit. The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return and includes an adjustment to reflect fair value. The City's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2004, the date of the latest actuarial valuation, was 30 years.

# City of Lowell

Notes to Financial Statements  
For the Year Ended June 30, 2005

## 5. DEFINED BENEFIT PENSION PLAN (CONTINUED)

### *Municipal Employees Retirement System of Michigan (Continued)*

#### Three-Year Trend Information

<u>Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2003	\$ 175,075	100%	\$ 0
2004	214,472	100%	0
2005	237,240	100%	0

#### Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio Total</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage Payroll ((b-a)/c)</u>
12/31/02	5,174,380	7,131,702	1,957,322	73%	2,072,636	94%
12/31/03	5,602,800	7,701,238	1,957,322	73%	2,115,495	99%
12/31/04	4,628,602	6,910,442	2,281,840	67%	2,135,880	107%

## 6. INDIVIDUAL FUND INTERFUND RECEIVABLES AND PAYABLES

Individual fund interfund receivable and payable balances at June 30, 2005 are as follows:

<u>Due from Fund</u>	<u>Due to General Fund</u>
Airport	\$ 15,622
Cable T.V.	904
Light & Power	27,809
Nonmajor	50,000
<b>TOTAL</b>	<b>\$ 94,335</b>

# City of Lowell

## Notes to Financial Statements For the Year Ended June 30, 2005

### 7. INDIVIDUAL FUND ADVANCE RECEIVABLES AND PAYABLES

Advances between funds representing long-term receivables and payable between funds at June 30, 2005 are as follows:

<u>Fund</u>	<u>Advance Receivables</u>	<u>Advance Payables</u>
Enterprise Funds:		
Light & Power	\$ 568,806	\$ 0
Cable T.V.	0	568,806
	<u>\$ 568,806</u>	<u>\$ 568,806</u>

### 8. INTERFUND TRANSACTIONS

Transfers in and out for the year ended June 30, 2005 are as follows:

	<u>General Fund</u>	<u>Nonmajor</u>	<u>Total</u>
Transfers out:			
General Fund	\$ 0	\$ 347,185	\$ 347,185
Nonmajor	15,349	45,000	60,349
	<u>\$ 168,506</u>	<u>\$ 392,185</u>	<u>\$ 407,534</u>

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

# City of Lowell

Notes to Financial Statements  
For the Year Ended June 30, 2005

## 9. LONG-TERM OBLIGATIONS

The following is a summary of debt transactions of the City for the year ended June 30, 2005:

	Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005	Due Within One Year
<b>Governmental Long-Term Debt</b>					
<b>Primary Government:</b>					
4.60% - 5.00% Building Authority Bonds, series 1996; payable in annual amounts of \$35,000 to \$160,000 through 2006.	\$ 80,000	\$ 0	\$ 40,000	\$ 40,000	\$ 40,000
4.20% - 5.00% Building Authority Bonds, series 1999; payable in annual amounts of \$35,000 to \$65,000 through 2010.	250,000	0	55,000	195,000	45,000
2.00% - 4.80% Transportation Fund Improvement Bonds, series, 2001; payable in annual amounts of \$25,000 to \$45,000 through 2017.	470,000	0	25,000	445,000	25,000
3.25% - 5.12% Building Authority Bonds, series 2002; payable in annual amounts of \$60,000 to \$300,000 through 2032.	4,725,000	0	0	4,725,000	0
Municipal Lease—Installment Purchase agreement for police cruisers payable in annual amounts of \$10,919 to \$11,936 through 2007.	0	34,271	11,936	22,335	10,919
Act 99 Installment Purchase, Series 2005 for a fire vehicle in annual amounts of \$16,133 through 2008.	0	48,400	0	48,400	16,134
Municipal Lease—Installment Purchase agreement for police cruisers payable in annual amounts of \$5,919 to \$6,308 through 2005.	6,308	0	6,308	0	0
Municipal Lease—Installment Purchase agreement for police cruisers payable in annual amounts of \$5,892 to \$6,281 through 2005.	6,281	0	6,281	0	0
Act 99 Installment Purchase, Series 2002 for a fire vehicle in annual amounts of \$47,800 through 2005.	47,800	0	47,800	0	0
Vested Sick and Vacation pay	109,301	10,007	0	119,308	0
<b>Total Governmental Long-Term Debt</b>	<b>5,694,690</b>	<b>92,678</b>	<b>192,325</b>	<b>5,595,043</b>	<b>137,053</b>



# City of Lowell

## Notes to Financial Statements For the Year Ended June 30, 2005

### 9. LONG-TERM OBLIGATIONS (CONTINUED)

	Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005	Due Within One Year
<b>Proprietary Funds</b>					
<b>Enterprise Funds</b>					
<b>Wastewater Fund</b>					
4.40% - 5.40% Sanitary Sewer Systems Revenue Refunding Bonds, series 1993; payable in annual amounts of \$30,000 to \$175,000 through 2012.	1,215,000	0	130,000	1,085,000	135,000
<b>Light and Power Fund</b>					
3.00% - 5.00% Electric Supply System Revenue Bonds, series 2002; payable in semi-annual amounts of \$130,000 to \$350,000 through 2027.	5,170,000	0	135,000	5,035,000	135,000
<b>Water Fund</b>					
6.25% Special Assessment Water Bonds, series 1993A; payable in annual amounts of \$3,000 to \$10,000 through 2008.	16,000	0	4,000	12,000	4,000
6.30% - 7.50% Special Assessment Water Bonds, series 1994A; payable in annual amounts of \$5,000 to \$10,000 through 2014.	100,000	0	10,000	90,000	10,000
3.00% - 5.00% Water Revenue Refunding Bonds, series 2002; payable in annual amount of \$100,000 to \$195,000 through 2019.	2,235,000	0	130,000	2,105,000	135,000
<b>Airport Fund</b>					
5.50% Michigan Aeronautics Commission Airport Loan, series 2001; payable in annual amounts of \$5,437 to \$8,800 through 2011.	52,775	0	6,384	46,391	6,735
<b>Sub-Total Enterprise Funds</b>	8,788,775	0	415,384	8,373,391	425,735
<b>Unamortized discount/issuance cost</b>	390,809	0	25,922	364,887	0
<b>Total Enterprise Funds</b>	8,397,966	0	389,462	8,008,504	425,735
<b>Total Long-Term Obligations - Primary Government</b>	14,092,656	92,678	581,787	13,603,547	562,788
<b>Component Unit</b>					
5.50% - 6.65% DDA Michigan Municipal Bond Authority, series 1994F; payable in annual amount of \$50,000 to \$100,000.	750,000	0	60,000	690,000	60,000
4.00% - 5.35% DDA General Obligation Limited Tax Development Bonds, series 1999; payable in annual payments of \$55,000 to \$110,000.	860,000	0	65,000	795,000	70,000
<b>Total Component Unit</b>	1,610,000	0	125,000	1,485,000	130,000
<b>Total Long-Term Obligations - Reporting Entity</b>	<u>\$ 15,702,656</u>	<u>\$ 92,678</u>	<u>\$ 706,787</u>	<u>\$ 15,088,547</u>	<u>\$ 692,788</u>

# City of Lowell

## Notes to Financial Statements For the Year Ended June 30, 2005

### 9. LONG-TERM OBLIGATIONS (CONTINUED)

The governmental long-term debt is serviced by the general fund except for the transportation bonds which are serviced by the Major Street Fund. Remaining debt is serviced by the funds indicated above.

The annual requirements, excluding accrued employee benefits, to maturity on the total long-term obligations outstanding at June 30, 2005 are as follows:

	Governmental Long-Term Debt		Enterprise Long-Term Debt		Component Unit Long-Term Debt	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$ 137,054	\$ 260,314	\$ 425,735	\$ 376,258	\$ 130,000	\$ 80,925
2007	157,549	253,460	436,106	359,900	135,000	73,886
2008	141,133	247,290	446,497	342,783	150,000	66,165
2009	125,000	242,040	462,909	324,399	155,000	57,767
2010	125,000	236,795	488,344	304,554	165,000	48,795
2011-2015	775,000	1,093,848	2,118,800	1,204,514	750,000	92,868
2016-2020	1,015,000	884,803	1,640,000	772,072	0	0
2021-2025	1,100,000	614,625	1,360,000	424,016	0	0
2026-2030	1,300,000	335,187	995,000	76,375	0	0
2031-2034	600,000	30,750	0	0	0	0
	<u>\$ 5,475,736</u>	<u>\$ 4,199,112</u>	<u>\$ 8,373,391</u>	<u>\$ 4,184,871</u>	<u>\$ 1,485,000</u>	<u>\$ 420,406</u>

The City is a party to certain agreements relating to Industrial Revenue and Economic Development bond issues. The agreements provide that the bonds are self-liquidating revenue bonds and are no obligation to the City. The bonds are collateralized by the assets constructed with bond proceeds and are guaranteed by the recipient corporations. The amount of such bonds outstanding at June 30, 2005, was approximately \$1,660,000.

### 10. LITIGATION

In the normal course of its activities, the City has become a party in various legal actions, including property tax assessment appeals. Management of the City is of the opinion that the outcome of such actions will not have a material effect on the financial position of the City and, therefore, has not reflected loss reserves in the financial statements.

## **City of Lowell**

### **Notes to Financial Statements For the Year Ended June 30, 2005**

#### **11. SUBSEQUENT EVENTS**

On July 12, 2005, the City issued \$300,000 Transportation Fund Improvement Bonds, payable in increments of \$15,000 to \$25,000 through 2020.

#### **12. JOINT VENTURE**

The City entered into a joint venture, the Michigan Public Power Agency (MPPA), with 13 other municipal electric systems. The MPPA was formed to undertake the planning financing, development, acquisition, construction, improvement, operation and maintenance of projects to supply electric power and energy for present or future needs of its members. Each MPPA member is a municipal corporation organized under the laws of the State of Michigan and owns and operates a municipal electric system. Due to the largest member of the group giving its required five year notice of withdrawal from MPPA, Lowell Light & Power approved its notice of withdrawal on October 27, 2005. The City's involvement in the joint venture will cease on December 31, 2010, and an alternative source of electric power and energy will need to be in place at that time. At present, the most likely scenario is a new joint venture with some present and new municipal systems. Complete financial statements for the Michigan Public Power Agency can be obtained from the administrative offices at 809 Centennial Way, Lansing, Michigan 48917.

Under the joint venture, the City has entered into Power Sales Contracts and Project Support Contracts. These contracts provide for the City to purchase from MPPA 1.24% of the energy generated by MPPA's 37.22% ownership in Detroit Edison's Belle River Unit No.1, which became operational in August 1984, 11.86% of MPPA's 4.80% ownership in Consumers Energy's Campbell Unit No. 3, which became operational in September 1980 and 5.63% of the energy generated by MPPA's 100% ownership in CT Project No. 1 (50 mw rated simple cycle combustion turbine generating unit and ancillary support facilities located in Kalkaska, Michigan) which became operational in 2004. These contracts required the City to purchase approximately 3, 4.5 and 2.8 megawatts of power, respectively.

For the year ended June 30, 2005, the City recognized expenses totaling \$2,612,785 under the terms of the contract which represented \$365,570 for fixed operating costs, \$923,775 for debt service and \$1,343,440 for the purchase of power. Accounts payable to MPPA totaled \$363,643 at June 30, 2005. Under the terms of its contracts, the City must make minimum annual payments equal to its share of debt service and its share of the fixed operating costs of Detroit Edison's Belle River No. 1, Consumers Energy's Campbell Unit No. 3 and CT Project No. 1.

# City of Lowell

## Notes to Financial Statements For the Year Ended June 30, 2005

### 12. JOINT VENTURE (CONTINUED)

A summary of future contract payments with MPPA is as follows:

	Belle River		Campbell		Combustion Turbine		Total
	Debt Service	Fixed Operating	Debt Service	Fixed Operating	Debt Service	Fixed Operating	
2006	\$ 340,964	\$ 157,383	\$ 438,799	\$ 153,492	\$ 143,615	\$ 65,661	\$ 1,299,914
2007	340,901	162,104	439,499	158,097	143,626	67,631	1,311,858
2008	340,948	166,967	439,813	162,840	143,776	69,660	1,324,004
2009	340,905	171,976	439,710	167,725	143,634	71,750	1,335,700
2010	340,934	177,136	439,205	172,757	143,715	73,902	1,347,649
2011-2015	1,704,670	968,651	1,003,814	549,994	718,575	404,128	5,349,832
2016-2020	1,022,826	653,753	0	0	718,575	468,494	2,863,648
2021-2025	0	0	0	0	718,575	543,114	1,261,689
2026-2027	0	0	0	0	287,636	240,740	528,376
	<u>\$ 4,432,148</u>	<u>\$ 2,457,970</u>	<u>\$ 3,200,840</u>	<u>\$ 1,364,905</u>	<u>\$ 3,161,727</u>	<u>\$ 2,005,080</u>	<u>\$ 16,622,670</u>

Debt Service requirements expire in the years 2013, 2018 and 2027 for the Campbell, Belle River and Combustion Turbine Projects, respectively. The above amounts include estimated fixed operating costs for the same period as the Debt Service. The contracts for the City's commitment for fixed operating costs to extend beyond these dates are dependent upon the use of the facilities.

The joint venture is a result of an ongoing financial responsibility. The City did not have an initial equity interest and does not participate in net income or losses.

**CITY OF LOWELL**  
**SCHEDULE OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
REVENUES			
TAXES			
Property taxes	\$ 1,315,569	\$ 1,314,456	\$ (1,113)
Payment in lieu of taxes	212,000	214,330	2,330
Penalties and interest	5,000	8,152	3,152
Trailer fees	900	831	(69)
Industrial facility tax	12,300	12,247	(53)
TOTAL TAXES	<u>1,545,769</u>	<u>1,550,016</u>	<u>4,247</u>
INTERGOVERNMENTAL			
FEDERAL REVENUE	<u>43,910</u>	<u>43,910</u>	<u>0</u>
STATE REVENUE			
Sales tax	418,000	409,769	(8,231)
Liquor licenses	3,000	3,761	761
Other	1,900	1,053	(847)
TOTAL STATE REVENUE	<u>422,900</u>	<u>414,583</u>	<u>(8,317)</u>
CHARGES FOR SERVICES			
Fire protection	80,000	67,368	(12,632)
Cemetery openings	10,000	8,675	(1,325)
Other charges and fees	32,516	36,080	3,564
TOTAL CHARGES FOR SERVICES	<u>122,516</u>	<u>112,123</u>	<u>(10,393)</u>
INVESTMENT INCOME	<u>6,100</u>	<u>7,510</u>	<u>1,410</u>
OTHER INCOME			
Sales-other	62,900	61,439	(1,461)
Contributions/local grants	92,995	131,977	38,982
Miscellaneous	160,787	170,478	9,691
TOTAL OTHER INCOME	<u>316,682</u>	<u>363,894</u>	<u>47,212</u>
TOTAL REVENUES	<u>2,457,877</u>	<u>2,492,036</u>	<u>34,159</u>

**CITY OF LOWELL**  
**SCHEDULE OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL (CONTINUED)**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
EXPENDITURES			
General Government			
Legislative Council	23,770	18,847	4,923
Administrative			
City Manager	85,177	84,058	1,119
Elections	6,850	7,339	(489)
Attorney	30,000	30,431	(431)
Assessor	39,052	37,867	1,185
General office	137,941	133,807	4,134
Treasurer	139,038	137,613	1,425
Library	48,354	53,149	(4,795)
Planning	5,602	4,855	747
TOTAL ADMINISTRATIVE	<u>492,014</u>	<u>489,119</u>	<u>2,895</u>
TOTAL GENERAL GOVERNMENT	515,784	507,966	7,818
Public Safety			
Police	855,486	879,855	(24,369)
Fire	364,976	393,745	(28,769)
Ambulance	<u>2,000</u>	<u>2,000</u>	<u>0</u>
TOTAL PUBLIC SAFETY	1,222,462	1,275,600	(53,138)
Public Services			
City Hall	55,800	55,729	71
Public works	148,180	145,266	2,914
Cemetery	78,459	83,419	(4,960)
Engineering	6,300	5,333	967
Parks	113,628	105,636	7,992
Refuse collection	70,000	75,332	(5,332)
Sidewalks	<u>9,435</u>	<u>10,396</u>	<u>(961)</u>
TOTAL PUBLIC SERVICES	481,802	481,111	691
Other functions			
Other services and charges	<u>60,197</u>	<u>64,422</u>	<u>(4,225)</u>
TOTAL EXPENDITURES	<u>2,280,245</u>	<u>2,329,099</u>	<u>(48,854)</u>
REVENUES OVER (UNDER) EXPENDITURES	177,632	162,937	(14,695)
OTHER FINANCING SOURCES (USES)			
Transfers in	6,000	15,349	9,349
Transfers (out)	(349,165)	(347,185)	1,980
Capital lease proceeds	<u>48,400</u>	<u>82,671</u>	<u>34,271</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(294,765)</u>	<u>(249,165)</u>	<u>45,600</u>
NET CHANGE IN FUND BALANCES	(117,133)	(86,228)	30,905
FUND BALANCES, BEGINNING OF YEAR	<u>115,696</u>	<u>115,696</u>	<u>0</u>
FUND BALANCES, END OF YEAR	<u>\$ (1,437)</u>	<u>\$ 29,468</u>	<u>\$ 30,905</u>

See accompanying notes to financial statements.

# CITY OF LOWELL

## NON-MAJOR GOVERNMENTAL FUNDS COMBINING BALANCE SHEET

June 30, 2005

ASSETS	SPECIAL REVENUE		DEBT SERVICE	PERMANENT Cemetery Perpetual Care	Total
	Major Streets	Local Streets			
Cash and pooled investments	\$ 9,029	\$ 53,447	\$ 600	\$ 248,782	\$ 367,285
Due from other governments	34,918	11,801	0	0	46,719
<b>Total Assets</b>	<b>\$ 43,947</b>	<b>\$ 65,248</b>	<b>\$ 600</b>	<b>\$ 248,782</b>	<b>\$ 414,004</b>

## LIABILITIES & FUND BALANCE

<b>Liabilities</b>					
Accounts payable	\$ 707	\$ 9,946	\$ 0	\$ 0	\$ 10,653
Accrued liabilities	984	1,029	0	0	2,013
Due to other funds	0	50,000	0	0	50,000
Accrued compensated absences	193	195	0	0	388
<b>Total liabilities</b>	<b>1,884</b>	<b>61,170</b>	<b>0</b>	<b>0</b>	<b>63,054</b>
<b>Fund balance</b>					
Reserved	0	0			
Unreserved - undesignated	42,063	4,078	600	248,782	249,382
<b>Total fund balance</b>	<b>42,063</b>	<b>4,078</b>	<b>600</b>	<b>248,782</b>	<b>350,950</b>
<b>Total liabilities and fund equity</b>	<b>\$ 43,947</b>	<b>\$ 65,248</b>	<b>\$ 600</b>	<b>\$ 248,782</b>	<b>\$ 414,004</b>

See accompanying notes to financial statements.

# CITY OF LOWELL

## NON-MAJOR GOVERNMENTAL FUNDS COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2005

	SPECIAL REVENUE		DEBT SERVICE		PERMANENT	Total
	Major Streets	Local Streets	Historic District Commission	Debt Service	Cemetery Perpetual Care	
<b>Revenues</b>						
Intergovernmental revenues						
State	\$ 197,623	\$ 72,950	\$ 0	\$ 0	\$ 0	\$ 270,573
Investment income	2,034	14	1,093	28	15,349	18,518
Charges for perpetual care	0	0	0	0	3,250	3,250
Miscellaneous/Contributions	8,059	43,460	25,000	2,350	0	78,869
<b>Total revenues</b>	<b>207,716</b>	<b>116,424</b>	<b>26,093</b>	<b>2,378</b>	<b>18,599</b>	<b>371,210</b>
<b>Expenditures</b>						
Current						
Highways and streets	98,337	86,003	0	0	0	184,340
Public service	0	0	14,318	0	0	14,318
Other functions	0	0	0	0	152	152
Debt service:						
Principal	0	25,000	0	95,000	0	120,000
Interest and fiscal charges	0	19,530	0	245,165	0	264,695
Capital outlay	175,285	121,414	0	0	0	296,699
<b>Total expenditures</b>	<b>273,622</b>	<b>251,947</b>	<b>14,318</b>	<b>340,165</b>	<b>152</b>	<b>880,204</b>
<b>Revenues over (under) expenditures</b>	<b>(65,906)</b>	<b>(135,523)</b>	<b>11,775</b>	<b>(337,787)</b>	<b>18,447</b>	<b>(508,994)</b>
<b>Other financing sources (uses)</b>						
Transfers in	0	55,000	0	337,185	0	392,185
Transfers out	(45,000)	0	0	0	(15,349)	(60,349)
<b>Total other financing sources (uses)</b>	<b>(45,000)</b>	<b>55,000</b>	<b>0</b>	<b>337,185</b>	<b>(15,349)</b>	<b>331,836</b>
<b>Net changes in fund balances</b>	<b>(110,906)</b>	<b>(80,523)</b>	<b>11,775</b>	<b>(602)</b>	<b>3,098</b>	<b>(177,158)</b>
<b>Fund balances, beginning of year</b>	<b>152,969</b>	<b>84,601</b>	<b>43,652</b>	<b>1,202</b>	<b>245,684</b>	<b>528,108</b>
<b>Fund balances, end of year</b>	<b>\$ 42,063</b>	<b>\$ 4,078</b>	<b>\$ 55,427</b>	<b>\$ 600</b>	<b>\$ 248,782</b>	<b>\$ 350,950</b>

See accompanying notes to financial statements.



**CITY OF LOWELL**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**MAJOR STREETS FUND**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
<b>REVENUES</b>			
Intergovernmental revenues:			
State	\$ 194,500	\$ 197,623	\$ 3,123
Investment income	1,200	2,034	834
Miscellaneous	<u>0</u>	<u>8,059</u>	<u>8,059</u>
<b>TOTAL REVENUES</b>	<u>195,700</u>	<u>207,716</u>	<u>12,016</u>
<b>EXPENDITURES</b>			
Current			
Administration	16,442	16,288	154
Winter maintenance	22,623	18,269	4,354
Traffic	19,459	15,854	3,605
Maintenance	56,832	47,926	8,906
Capital outlay	<u>169,404</u>	<u>175,285</u>	<u>(5,881)</u>
<b>TOTAL EXPENDITURES</b>	<u>284,760</u>	<u>273,622</u>	<u>11,138</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	(89,060)	(65,906)	23,154
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers (out)	<u>(45,000)</u>	<u>(45,000)</u>	<u>0</u>
<b>NET CHANGES IN FUND BALANCES</b>	(134,060)	(110,906)	23,154
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<u>152,969</u>	<u>152,969</u>	<u>0</u>
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ 18,909</u>	<u>\$ 42,063</u>	<u>\$ 23,154</u>

**CITY OF LOWELL**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**LOCAL STREETS FUND**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
<b>REVENUES</b>			
Intergovernmental revenues:			
State	\$ 74,325	\$ 72,950	\$ (1,375)
Investment income	1,100	14	(1,086)
Miscellaneous	<u>0</u>	<u>43,460</u>	<u>43,460</u>
<b>TOTAL REVENUES</b>	<u>75,425</u>	<u>116,424</u>	<u>40,999</u>
<b>EXPENDITURES</b>			
Current			
Administration	16,545	16,175	370
Winter maintenance	22,849	18,238	4,611
Traffic	6,844	5,685	1,159
Maintenance	51,874	45,905	5,969
Debt service:			
Principal	25,000	25,000	0
Interest and fiscal charges	19,030	19,530	(500)
Capital outlay	<u>80,000</u>	<u>121,414</u>	<u>(41,414)</u>
<b>TOTAL EXPENDITURES</b>	<u>222,142</u>	<u>251,947</u>	<u>(29,805)</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	(146,717)	(135,523)	11,194
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	<u>55,000</u>	<u>55,000</u>	<u>0</u>
<b>NET CHANGES IN FUND BALANCES</b>	(91,717)	(80,523)	11,194
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<u>84,601</u>	<u>84,601</u>	<u>0</u>
<b>FUND BALANCES, END OF YEAR</b>	<u><u>\$ (7,116)</u></u>	<u><u>\$ 4,078</u></u>	<u><u>\$ 11,194</u></u>

**CITY OF LOWELL**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**HISTORIC DISTRICT COMMISSION FUND**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	AMENDED BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES			
Investment income	\$ 1,093	\$ 1,093	\$ 0
Miscellaneous	25,000	25,000	0
TOTAL REVENUES	26,093	26,093	0
EXPENDITURES			
Current			
Public services	14,318	14,318	0
TOTAL EXPENDITURES	14,318	14,318	0
NET CHANGES IN FUND BALANCES	11,775	11,775	0
FUND BALANCES, BEGINNING OF YEAR	43,652	43,652	0
FUND BALANCES, END OF YEAR	\$ 55,427	\$ 55,427	\$ 0

**CITY OF LOWELL**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENTS OF NET ASSETS**

June 30, 2005

<b>ASSETS</b>	<b>Data Processing</b>	<b>Equipment</b>	<b>Total</b>
<b>Current assets</b>			
Cash and pooled investments	\$ 47,186	\$ 0	\$ 47,186
Accounts receivable	46	5,026	5,072
Due from other funds	0	0	0
Inventory	0	20,719	20,719
<b>Total current assets</b>	<b>47,232</b>	<b>25,745</b>	<b>72,977</b>
<b>Capital assets</b>			
Machinery and equipment	145,227	727,968	873,195
Less:			
Accumulated depreciation	(142,166)	(708,222)	(850,388)
<b>Net capital assets</b>	<b>3,061</b>	<b>19,746</b>	<b>22,807</b>
<b>Total assets</b>	<b>50,293</b>	<b>45,491</b>	<b>95,784</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable	0	19,919	19,919
Accrued liabilities	0	1,782	1,782
Due to other funds	0	0	0
Accrued compensated absences	0	7,333	7,333
<b>Total liabilities</b>	<b>0</b>	<b>29,034</b>	<b>29,034</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	3,061	19,746	22,807
Unrestricted	47,232	(3,289)	43,943
<b>Total net assets</b>	<b>\$ 50,293</b>	<b>\$ 16,457</b>	<b>\$ 66,750</b>

See accompanying notes to financial statements.

**CITY OF LOWELL**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN NET ASSETS**

FOR THE YEAR ENDED JUNE 30, 2005

	<u>Data Processing</u>	<u>Equipment</u>	<u>Total</u>
<b>Operating revenues</b>			
Charges for services	\$ 15,040	\$ 138,499	\$ 153,539
Miscellaneous income	0	601	601
<b>Total operating revenues</b>	<u>15,040</u>	<u>139,100</u>	<u>154,140</u>
<b>Operating expenses</b>			
Personnel services	0	106,241	106,241
Supplies	3,839	21,647	25,486
Services and other charges	16,003	16,502	32,505
Depreciation and amortization	2,745	33,184	35,929
Miscellaneous	116	0	116
<b>Total operating expenses</b>	<u>22,703</u>	<u>177,574</u>	<u>200,277</u>
<b>Operating income (loss)</b>	<u>(7,663)</u>	<u>(38,474)</u>	<u>(46,137)</u>
<b>Non-operating revenues (expenses)</b>			
Interest income	<u>1,137</u>	<u>0</u>	<u>1,137</u>
<b>Change in net assets</b>	(6,526)	(38,474)	(45,000)
<b>Net assets, beginning of year</b>	56,819	54,931	111,750
<b>Net assets, end of year</b>	<u>\$ 50,293</u>	<u>\$ 16,457</u>	<u>\$ 66,750</u>

**CITY OF LOWELL**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED JUNE 30, 2005**

	DATA PROCESSING	EQUIPMENT	TOTAL
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from interfund services provided	\$ 14,994	\$ 140,458	\$ 155,452
Payments to suppliers	(21,367)	(47,590)	(68,957)
Payments to employees	0	(97,814)	(97,814)
Net cash provided by (used in) operating activities	<u>(6,373)</u>	<u>(4,946)</u>	<u>(11,319)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING</b>			
Due to other funds	0	4,946	4,946
Due from other funds	36,568	0	36,568
Net cash provided by (used in) non-capital financing	<u>36,568</u>	<u>4,946</u>	<u>41,514</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest income	1,137	0	1,137
<b>NET INCREASE (DECREASE) IN CASH AND POOLED INVESTMENTS</b>	31,332	0	31,332
<b>CASH AND POOLED INVESTMENTS, BEGINNING OF YEAR</b>	15,854	0	15,854
<b>CASH AND POOLED INVESTMENTS, END OF YEAR</b>	<u>\$ 47,186</u>	<u>\$ 0</u>	<u>\$ 47,186</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities</b>			
Operating income (loss)	\$ (7,663)	\$ (38,474)	\$ (46,137)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities			
Depreciation	2,745	33,184	35,929
Changes in operating assets and liabilities which provided (used) cash:			
Accounts receivable	(46)	1,358	1,312
Inventory	0	0	0
Accounts payable	(1,409)	(1,111)	(2,520)
Accrued liabilities	0	97	97
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<u>\$ (6,373)</u>	<u>\$ (4,946)</u>	<u>\$ (11,319)</u>

See accompanying notes to financial statements.

**CITY OF LOWELL**  
**PRIVATE PURPOSE TRUSTS**  
**COMBINING STATEMENTS OF NET ASSETS**

June 30, 2005

<b>ASSETS</b>				
	<u>Carr</u>	<u>Lee</u>	<u>Look - Daley</u>	<u>Total</u>
Cash and pooled investments	\$ 23,209	\$ 0	\$ 80,111	\$ 103,320
Investments	0	227,587	881,869	1,109,456
<b>Total assets</b>	<b>23,209</b>	<b>227,587</b>	<b>961,980</b>	<b>1,212,776</b>
<b>LIABILITIES</b>				
Accounts payable	0	0	0	0
<b>Total Liabilities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>NET ASSETS</b>				
Restricted	20,833	0	0	20,833
Unrestricted board designated	0	215,117	931,082	1,146,199
Unrestricted	2,376	12,470	30,898	45,744
<b>Total net assets</b>	<b>\$ 23,209</b>	<b>\$ 227,587</b>	<b>\$ 961,980</b>	<b>\$ 1,212,776</b>

See accompanying notes to financial statements.

**CITY OF LOWELL**  
**PRIVATE PURPOSE TRUSTS**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN FUND BALANCES**

**FOR THE YEAR ENDED JUNE 30, 2005**

	<u>Carr</u>	<u>Lee</u>	<u>Look - Daley</u>	<u>Total</u>
<b>Operating revenues</b>				
Interest and miscellaneous	<u>\$ 505</u>	<u>\$ 18,514</u>	<u>\$ 67,463</u>	<u>\$ 86,482</u>
<b>Expenses</b>				
Other functions	<u>418</u>	<u>18,130</u>	<u>33,466</u>	<u>52,014</u>
<b>Changes in net assets</b>	<u>87</u>	<u>384</u>	<u>33,997</u>	<u>34,468</u>
<b>Net assets, beginning of year</b>	<u>23,122</u>	<u>227,203</u>	<u>927,983</u>	<u>1,178,308</u>
<b>Net assets, end of year</b>	<u><u>\$ 23,209</u></u>	<u><u>\$ 227,587</u></u>	<u><u>\$ 961,980</u></u>	<u><u>\$ 1,212,776</u></u>



# CITY OF LOWELL

## AGENCY FUNDS COMBINING STATEMENTS OF NET ASSETS

June 30, 2005

ASSETS	Current Tax	Trailways	Total
Cash and pooled investments	\$ 56	\$ 233	\$ 289
Due from other governments	0	0	0
<b>Total assets</b>	<b>56</b>	<b>233</b>	<b>289</b>
LIABILITIES			
Due to other governments	56	0	56
<b>Total Liabilities</b>	<b>56</b>	<b>0</b>	<b>56</b>
NET ASSETS			
Restricted	0	0	0
Unrestricted board designated	0	0	0
Unrestricted	0	233	233
<b>Total net assets</b>	<b>\$ 0</b>	<b>\$ 233</b>	<b>\$ 233</b>

See accompanying notes to financial statements.

# CITY OF LOWELL

## DOWNTOWN DEVELOPMENT AUTHORITY COMBINING STATEMENTS OF NET ASSETS

June 30, 2005

ASSETS	General Fund	Adjustments	Statement of Net Assets
Cash and pooled investments	\$ 101,704	\$ 0	\$ 101,704
Capital assets			
Land	0	67,876	67,876
Property, Plant, Equipment	0	882,438	882,438
<b>Total Assets</b>	<b>\$ 101,704</b>	<b>950,314</b>	<b>1,052,018</b>
<b>LIABILITIES &amp; FUND BALANCE</b>			
<b>Liabilities</b>			
Accounts payable	\$ 1,254	0	1,254
Accrued liabilities	562	3,550	4,112
Bonds payable short-term	0	130,000	130,000
Bonds payable long-term	0	1,355,000	1,355,000
<b>Total liabilities</b>	<b>1,816</b>	<b>1,488,550</b>	<b>1,490,366</b>
<b>Fund balance</b>			
Fund balance - undesignated	99,888	(99,888)	0
<b>Total liabilities and fund equity</b>	<b>\$ 101,704</b>	<b>1,388,662</b>	<b>1,490,366</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt		(534,686)	(534,686)
Unrestricted		96,338	96,338
<b>Total net assets (deficit)</b>		<b>\$ (438,348)</b>	<b>\$ (438,348)</b>

**CITY OF LOWELL**  
**DOWNTOWN DEVELOPMENT AUTHORITY**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES/NET ASSETS**

**FOR THE YEAR ENDED JUNE 30, 2005**

	GENERAL FUND	ADJUSTMENTS	STATEMENT OF NET ASSETS
REVENUES			
Taxes	\$ 444,312	\$ 0	\$ 444,312
Interest	3,676	0	3,676
TOTAL REVENUES	<u>447,988</u>	<u>0</u>	<u>447,988</u>
EXPENDITURES			
General Government	186,755	29,459	216,214
Debt service:			
Principal retirement	125,000	(125,000)	0
Interest and fiscal charges	87,861	(296)	87,565
Capital outlay	22,610	(22,610)	0
TOTAL EXPENDITURES	<u>422,226</u>	<u>(118,447)</u>	<u>303,779</u>
REVENUES OVER (UNDER) EXPENDITURES	25,762	(25,762)	0
NET CHANGE IN FUND BALANCE NET ASSETS	0	144,209	144,209
FUND BALANCE/NET ASSETS, BEGINNING OF YEAR	74,126	(656,683)	(582,557)
FUND BALANCE/NET ASSETS, END OF YEAR	<u>\$ 99,888</u>	<u>\$ (538,236)</u>	<u>\$ (438,348)</u>

See accompanying notes to financial statements.



**Report on Compliance and on Internal Control Over Financial  
Reporting Based on an Audit of Financial Statements Performed in  
Accordance With Government Auditing Standards**

Honorable Mayor and  
Members of the City Council  
Lowell, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Lowell, Michigan, as of and for the year ended June 30, 2005, and have issued our report thereon dated December 30, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

*Compliance*

As part of obtaining reasonable assurance about whether the City of Lowell, Michigan's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclose no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

*Internal Control Over Financial Reporting*

In planning and performing our audit, we considered the City of Lowell, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no mater involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the City Council, management, others within the organization, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Biggs, Hausserman, Thompson & Dickinson*

**Biggs, Hausserman, Thompson & Dickinson, P.C.**  
**Certified Public Accountants**  
**December 30, 2005**



December 30, 2005

City of Lowell  
Lowell, Michigan 48849

We have audited the financial statements of the City of Lowell for the year-ended June 30, 2005, and have issued our report thereon dated December 30, 2005.

We conducted our audit in accordance with generally accepted auditing standards and the Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

In planning and performing our audit of the general purpose financial statements, we considered internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control.

Our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the general purpose financial statements are free of material misstatement. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud and defalcations, may exist and not be detected by us.

As part of our audit, we considered the internal control of the City of Lowell. Such considerations were for the purpose of determining our audit procedures and to report on internal control in accordance with Government Auditing Standards and not to provide an assurance concerning such internal control system.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the City of Lowell's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on overall compliance with such provisions.

The following comments and recommendations relate to certain of the City's accounting, financial and administrative policies and procedures that we observed during the course of our audit. These matters are not considered "reportable conditions" as defined by professional standards.

#### **BUDGETS**

1. We noted the final general fund and local street fund budgets resulted in deficits exceeding the beginning fund balance amounts. This is a violation of the uniform budgeting act which prohibits budgeting expenditures in excess of available resources. Fortunately, actual results for the year did not result in deficit spending.

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2. Due to the current minimal fund balances in the special revenue funds, the City will need to closely review the funds available if expenditure budgets are revised upwards.

### **RECONCILIATION PROCESSES**

1. A computer "glitch" occurred in posting of water and sewer billings during one month of processing. Proper reconciliation procedures should have discovered this within a short period. We have reviewed appropriate procedures with the accounting staff.

This report is intended for the information use of the City of Lowell of Lowell, management and others within the organization.

We appreciate the cooperation received from the finance director during our engagement and the opportunity to be of service to the City. We would be happy to answer questions or discuss any of the above comments and recommendations. If we can be of any further assistance in implementing any recommendations, please let us know.

Very truly yours,

*Biggs, Hausserman, Thompson & Dickinson*

BIGGS, HAUSSERMAN, THOMPSON & DICKINSON, P.C.  
Certified Public Accountants